

## Message Text

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ORIGIN TRSE-00

INFO OCT-01 AF-10 NEA-10 ISO-00 EB-08 COME-00 OMB-01  
/030 R

DRAFTED BY TREAS:OASIA:DMASLIN  
APPROVED BY NEA/ARP:J R COUNTRYMAN  
TREAS:OASIA:FMARESCA  
TREAS:OS:PBRIDGES  
STATE:NEA/ARP:DWINN  
-----078383 181415Z /45

R 172335Z OCT 77  
FM SECSTATE WASHDC  
TO AMEMBASSY ABU DHABI  
AMEMBASSY ALGIERS  
AMEMBASSY AMMAN  
USINT BAGHDAD  
AMEMBASSY BEIRUT  
AMEMBASSY CAIRO  
AMEMBASSY DAMASCUS  
AMEMBASSY DOHA  
AMEMBASSY JIDDA  
AMEMBASSY KHARTOUM  
AMEMBASSY KUWAIT  
AMEMBASSY MANAMA  
AMEMBASSY MOGADISCIO  
AMEMBASSY MUSCAT  
AMEMBASSY NOUAKCHOTT  
AMEMBASSY SANA  
AMEMBASSY TRIPOLI  
AMEMBASSY TUNIS

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E.O. 11652:

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TAGS:

SUBJECT: TREASURY UNDER SECRETARY FOR MONETARY AFFAIRS  
ANTHONY SOLOMON'S MEETING WITH IBRAHIM ISKANER IBRAHIM OF  
THE ARAB MONETARY FUND

1. SOLOMON WAS SCHEDULED TO MEET JAWAD HASHIM, MANAGING

DIRECTOR OF THE ARAB MONETARY FUND, ON SEPTEMBER 28 DURING IMF/IBRD MEETINGS. DUE TO A SCHEDULE CONFLICT HASHIM WAS UNABLE TO ATTEND; IBRAHIM, HIS ASSISTANT, ATTENDED IN HIS PLACE. DAVID MASLIN OF TREASURY/ODNF WAS ALSO PRESENT.

2. MR. IBRAHIM EXPRESSED GRATITUDE FOR THE OPPORTUNITY TO DISCUSS THE NEWLY ESTABLISHED ARAB MONETARY FUND. THE AMF, HE SAID, WAS AN ORGANIZATION OF ARAB LEAGUE STATES DESIGNED TO ASSIST MEMBERS WITH BALANCE OF PAYMENTS DIFFICULTIES AND TO COORDINATE THEIR MONETARY ACTIVITIES. IT WAS EXPECTED THAT THE FUND WOULD BEGIN OPERATIONS DURING 1978.

3. MAJOR TOPIC IBRAHIM WISHED TO RAISE WAS THE TAXATION OF EARNINGS ON AMF ASSETS IN THE U.S., CURRENT IN U.S. TREASURY BILLS. HE INDICATED

THAT THE AMF HAD REQUESTED AN IRS RULING ON THIS MATTER AND HAD RETAINED A LAWYER WHO WAS DUE TO BEGIN WORK IN THE U.S. NEXT WEEK.

4. MR. SOLOMON RESPONDED THAT A TREASURY STAFF REPORT PROVIDED TO HIM ON THIS SUBJECT WAS RATHER PESSIMISTIC ABOUT THE IRS FINDING CAUSE FOR AN EXEMPT RULING DUE TO THE WAY IN WHICH THE PROVISIONS OF THE CODE WERE WRITTEN EVEN THOUGH, FROM A POLICY POINT OF VIEW, THE U.S. CERTAIN-LIMITED OFFICIAL USE

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LY HAS NO PROBLEM WITH EXEMPTING THE AMF. HE SUGGESTED, HOWEVER, THAT THERE WERE MANY POSSIBLE ALTERNATIVES TO INVESTING IN THE U.S. MR. IBRAHIM AGREED BUT SAID THAT THEY CONSIDERED THE U.S. BY FAR THE MOST DESIRABLE PLACE TO INVEST THEIR FUNDS.

5. MR. IBRAHIM THOUGHT THAT THE EEC WAS A SIMILAR CASE IN WHICH EXEMPTION HAD BEEN GRANTED. MR. MASLIN SAID HE BELIEVED THE DISTINCTION HERE WAS WHETHER THE ORGANIZATION HAD INDEPENDENT AUTHORITY OVER ITS MEMBER STATES. THE AMF, ACCORDING TO IBRAHIM, WHILE CREATED BY MEMBER STATES, WOULD BE AN AUTONOMOUS ORGANIZATION.

6. MR. SOLOMON INQUIRED AS TO THE NATURE OF AMF OPERATIONS. MR. IBRAHIM RESPONDED THAT THE AMF'S PAID-IN CAPITAL WOULD REACH \$900 MILLION AND THAT, LIKE THE IMF, ACCESS TO SUCCESSIVELY HIGHER CREDIT TRANCHES WOULD BE SUBJECT TO INCREASED CONDITIONALITY. MR. SOLOMON NOTED THAT SOME AMF MEMBER STATES HAD PROTESTED IMF CONDITIONALITY IN THE PAST. MR. IBRAHIM REPLIED THAT, NEVERTHELESS, THIS WOULD BE AN IMPORTANT PART OF AMF OPERATIONS.

7. ON THE QUESTION OF CAPITAL, MR. SOLOMON WONDERED  
WHETHER THE AMF COULD CALL ADDITIONAL CAPITAL. MR. IBRAHIM  
BELIEVED THAT THIS WAS THE CASE. MR. SOLOMON THOUGHT  
THAT, IF SO, THIS MIGHT CONCEIVABLY BE INTERPRETED AS A  
FORM OF AUTHORITY OVER MEMBERS AND POSSIBLY PROVIDE THE  
GROUNDS FOR A FAVORABLE TAX RULING. HE SUGGESTED THAT  
TREASURY STAFF OBTAIN MORE DETAILS ON THE AMF'S CHARTER  
AND REPORT TO HIM ON THEIR FINDINGS. VANCE

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## Message Attributes

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**Channel Indicators:** n/a  
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**TAGS:** OVIP, TC, TRSY, ARAB MONETARY FUND, (SOLOMON, ANTHONY), (IBRAHIM, IBRAHIM ISKANER)  
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